



## COUNCILMEMBER CARL DeMAIO

FIFTH DISTRICT

CITY OF SAN DIEGO

### MEMORANDUM

DATE: December 1, 2009

TO: Mark Hovey, Acting Administrator

FROM: Councilmember Carl DeMaio *Carl DeMaio*

RE: Memorandum from David Wescoe

---

On November 24<sup>th</sup>, your predecessor David Wescoe sent the attached memorandum taking issue with a chart my office uses to show "City Pension Payments as a % of Payroll."

All numbers used by our office have been taken directly from the report provided to our office by SDCERS and are the same exact numbers being used by the city in its Five Year Forecast.

I have attached the relevant SDCERS chart for your reference – which was provided to the Mayor and each Councilmember on August 24, 2009.

CC: Mayor Jerry Sanders  
City Councilmembers  
Andrea Tevlin, Independent Budget Analyst

Attachments:

August 24, 2009 Memorandum from Mark Hovey



**Mark A. Hovey**  
*Chief Financial Officer*

August 24, 2009

Tom Aaron  
Budget and Fiscal Policy Advisor  
City of San Diego  
Council District 5  
202 C Street, 10<sup>th</sup> Floor  
MS #10A  
San Diego, CA 92101

Dear Tom:

Attached are two slides from Cheiron, SDCERS' actuary, that depict the Stress Test "book ends" you describe in your August 11, 2009 email to David Wescoe.

The first slide, titled "Stress Testing Other Scenarios – Projection #1" corresponds to a projected 30-year outlook using all of SDCERS' current actuarial assumptions and funding methodologies. In particular, this slide assumes:

- 25% smoothing of the difference between market value of assets and expected actuarial value of assets
- Retention of the 80%/120% corridor
- Avoidance of negative amortization of the UAL
- 15-year amortization of the FY 2009 UAL layer

The second slide, titled "Stress Testing Other Scenarios – Projection #24" corresponds to a projected 30-year outlook after:

- Reducing the smoothing percentage to 10%
- Eliminating the corridor
- Allowing for negative amortization of the UAL
- Extending the amortization period for the FY 2009 UAL layer to 30 years

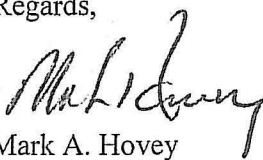
Please note that Projection #24 **DOES NOT** represent an alternative that Cheiron would recommend because it does not meet actuarial standards.

Tom Aaron  
August 24, 2009  
Page 2

Finally, you will notice in the ARC column at the left of each slide that the FY2009 and FY2010 figures are now those actually paid by the City. The slides depicted in Cheiron's July 17, 2009 presentation to the SDCERS Board were a composite of all three plan sponsors.

If you have any questions about this information, please call me at (619) 525-3660.

Regards,



Mark A. Hovey

Attachments

cc: City Councilmembers  
Jay Goldstone  
Mary Lewis  
Andrea Tevlin  
Board of Administration



# Stress Testing Other Scenarios – Proj #1

